

<b>Report of:</b>	Director of Regeneration and Interim Director of Finance
<b>Relevant Executive Member:</b>	Executive Member for Regeneration and Executive Member for Finance
<b>Submitted to:</b>	Executive
<b>Date:</b>	20 December 2023
<b>Title:</b>	The Disposal of Land at Nunthorpe Grange for Housing - Part A
<b>Report for:</b>	Decision
<b>Status:</b>	Public
<b>Strategic priority:</b>	Physical environment
<b>Key decision:</b>	Yes
<b>Why:</b>	Decision(s) will incur expenditure or savings above £250,000
<b>Subject to call in?:</b>	Yes
<b>Why:</b>	Non-urgent Report, and place on Executive Forward Work Programme.

**Proposed decision(s)**

That Executive be asked to:

- a) note the information contained within Part A of the report;
- b) approve the marketing and disposal of Nunthorpe Grange housing site; and
- c) provide Delegated Authority for the Director of Regeneration and the Director of Finance, following consultation with the respective Executive Members, to approve the Public Open Space (POS) and Land Appropriation process once all the financial or exempt information contained within Part B of the report has been considered.

## **Executive summary**

The site at Nunthorpe Grange is identified in the Local Plan (2014) for residential development. The overall site allocation is circa 24.29ha of greenfield land and is in three separate ownerships, with Middlesbrough Council owning approximately 15.64ha and the remainder privately owned.

The overall integrity of the Local Plan (2014) depends upon the land supply identified within it being made available.

This report seeks approval for Middlesbrough Council to progress with the disposal and marketing of the land and to utilise funds within the capital programme to undertake de-risking of the site to ensure Best Value for Money (BVM) at the point of sale.

The proposed residential development will bring a surplus, vacant and underutilised Council held asset into far more beneficial use, creating new communities and high-quality places. As well as improving Middlesbrough's overall housing offer, development of the land will also ensure that there is a sufficient supply of housing to meet need, preventing outward migration and supporting Middlesbrough's overall economic growth.

The disposal of the land is recommended in order to meet the Council's requirements to generate capital receipts, increase annually recurring revenue streams and, as the value of the individual site exceeds £250,000 it is a key decision.

This report will seek continued delegated authority to be granted for the Directors of Regeneration and Finance to ensure a smooth and efficient disposal and delivery process to take place.

The implications of the recommendations of this report have been considered by the appropriate officers of the Council and are set out in the main body of this report.

## **Purpose**

1. To seek Executive approval for the disposal of Nunthorpe Grange, which is allocated in the Housing Local Plan (2014), in accordance with the Council's adopted Asset Disposal Process, and to inform Executive of the next steps to take this site to market.

## **Recommendations**

That Executive be asked to:

- a) note the information contained within Part A of the report;
- b) approves the marketing and disposal of Nunthorpe Grange housing site; and

c) provides Delegated Authority for the Director of Regeneration and the Director of Finance, following consultation with the respective Executive Members, to approve the Public Open Space (POS) and Land Appropriation process once all the financial or exempt information contained within Part B of the report has been considered.

### **Rationale for the recommended decision(s)**

2. The development of Nunthorpe Grange will bring a surplus, vacant and underutilised Council held asset into far more beneficial use in the future – creating a new community and a high-quality place.
3. Nunthorpe Grange is critical to the supply of land for housing development and is in turn critical for supporting economic growth in the town and the delivery of Council services.
4. The disposal of the parcel of land is recommended in order to meet the Council's requirements to generate capital receipts and increase annually recurring revenue streams through Council Tax.
5. With interest in Middlesbrough's sites strong, it is timely to bring this site forward for development, to ensure that the maximum capital receipt is achieved and that the Council's Medium Term Financial Plan (MTFP) is delivered.
6. Middlesbrough's housing offer needs to keep pace with the demands of the market. The release and development of this site will allow that to be achieved; stemming outward migration and making Middlesbrough a desirable place to live, with a quantity of residential properties that will address the requirements of a changing, growing, and evolving population.
7. Furthermore, Nunthorpe Grange is allocated in the 2014 Local Plan and must be brought to market to avoid the Plan being compromised, and potentially challenged by developers if the Council are seen as constraining the overall land supply.

### **Background and relevant information**

#### General Overview

8. Allocated in the 2014 Local Plan, Nunthorpe Grange is circa 24.29ha of green field land and is in three separate ownerships, with Middlesbrough Council owning approximately 15.64ha and the remainder privately owned.
9. Appendix 1 shows the site ownership comprising of the following:
  - a) land coloured red owned by Middlesbrough Council which totals 15.64ha;
  - b) Lady Harrison's Field/The Polo Field (land coloured yellow) owned by Sir Colin Harrison & Family Trust 3.06ha; and,
  - c) Land at Field House (coloured blue) owned by Persimmon Homes 5.59ha.
10. The site is located south and east of existing residential developments. To the west and south are areas of open countryside. The site is bounded by the Guisborough Road (A171)

to the north, by railway lines to the east, to the south by the (A1043) and to the west by the Stokesley Road.

### 2017 to 2022 Project

11. In 2017 Nunthorpe Grange was formally set up as a Level 1 project, identifying the strategic importance to the Council. The Council's Programme and Project Management Framework (PPMF), underpins the achievement of its strategic objectives.
12. Executive approval in 2017 was granted to proceed with securing the surrender of the tenancy of Nunthorpe Grange Farm and to the payment to the tenant farmer.
13. In March 2018 a planning application was submitted and later approved for the implementation of a new roundabout to access the site.
14. On 11<sup>th</sup> July 2018, a report was presented to the Executive Property Sub Committee. The report sought the approval to commence consultation on a masterplan and design code development for housing land at Nunthorpe Grange.
15. The development of a masterplan/design code provides a framework against which development proposals will be considered. It ensures that an appropriate high-quality standard of development is provided across the whole site.
16. In January 2019, Single Member Executive approved the adoption of the Masterplan in order for the guidance to become a material consideration in any future residential planning proposals for the site.
17. In December 2022, a decision was made to close the Nunthorpe Grange Project due to there being no Executive approval to proceed with the marketing and disposal of the Council owned site.

### Current Position

18. In September 2023, in accordance with the PPMO framework, Directorate authorisation was granted to reinstate Nunthorpe Grange as an official project following the submission of a new Project Brief.
19. A new Business Case has also been approved which identifies the reason and benefits of the project, delivery mechanism, finances required and expected lifecycle.
20. It is proposed that the Land at Nunthorpe Grange will be developed to create a suburban extension which will make use of neighbouring amenities and transport links and significantly contribute towards improving Middlesbrough's overall housing offer in accordance with a refreshed Supplementary Planning Document (SPD) Masterplan.

### Housing Need

21. Demand for new homes continues to strengthen and as such the town requires a significant supply of new housing developments over the next decade to allow the town to keep pace with local demand and national demographic trends. Middlesbrough's Local Plan, supported

by Middlesbrough's Housing Market Needs Assessment identifies a requirement for the delivery of 410 new homes per annum during the Local Plan period (2014-2029) to address market need.

22. Despite improvements the town lacks key housing products. The Local Plan (2014) identifies a requirement for the delivery of more middle and upper market sector family housing to attract and retain economically active households. Additionally, the post pandemic era and demand for more spacious properties puts increased pressure on Middlesbrough's housing market and consequently new developments are required to satisfy the demands of an increasingly aspirational population. The Nunthorpe Grange site provides the space and setting to address this need.
23. Only by providing the type of housing that people want, in the right locations in the right environment at the right time, can we ensure that we confidently reverse our population decline and loss of economically active residents, both of which stymie Middlesbrough's overall economic growth.

#### Financial Need

24. The development of new housing is a key component of the Council being able to set a sustainable budget, as the capital receipts from housing sites, along with the subsequent Council Tax are key components of the MTFP.
25. The residential dwellings envisaged will primarily be a mix of Council Tax Band D to F. Assuming an average of Band E, this would generate between £0.690m for 250 properties built and £0.967m for 350 properties built, per year upon completion of the development.

#### Next Steps

26. With approval to dispose, the Council will proceed with the approach of maximising capital receipts through 'de-risking' sites by:
- a) undertaking Public Open Space and Land Appropriation process;
  - b) refresh the existing masterplan to control the end product;
  - c) undertaking community engagement / consultations through the planning process;
  - d) undertaking site investigation works to assess ground conditions;
  - e) apply for outline planning permission to establish key principles; and,
  - f) market the site competitively.
27. Sites are brought to the market in a way that balances market capacity and demand, secures best value capital receipts, ensures quality place making and balances construction and infrastructure requirements. It is proposed that this site will be disposed of via an open market sale using a formal tender process.

#### Budget

28. Funded through the Housing Growth Capital Budget, the scheme between 2017 and 2022 incurred circa £0.230m of costs for items such as:
- a) development of the current adopted masterplan;

- b) surveys, design costs and fees associated to the planning application for the roundabout; and,
- c) a baseline study for the area.

29. The proposed route to market will look to review the adopted masterplan and design code, undertake surveys, and secure an outline planning approval. It is estimated that a further £0.199m allocation from the Housing Growth Capital Budget is required to undertake these elements.
30. The scheme budget also provides an allocation of funds as set out in Part B of this report to deliver a roundabout to access the site. There is an “in principle” agreement with Persimmon Homes that will enable the Council to utilise their temporary site access as the permanent access to the Council’s site. Should this be a viable option, a saving will be made, and associated funds will be available for reallocation amongst the wider Housing Growth Programme.
31. Although unlikely, should any significant additional capital investment be identified through the de-risking of the site which exceeds the approved budgets, further Executive approval will be sought before proceeding with any land sale.

#### Potential Ongoing Costs

32. The scheme is likely to require Sustainable Urban Drainage system (SUDs) to attenuate the land to reduce risks from flood events. The responsibility for SUDs is currently placed with the developers, however, maintenance costs may pass to the Local Authority if they choose to adopt the land as open space.
33. Consultation is also underway on the Governments Flood and Water Management Act. Under Schedule 3 of the new proposals, local authorities will be required to adopt and maintain SUDs for new developments.
34. This cost will be fully understood once survey work has taken place to de-risk the site and when the Government either issues further guidance and/or legislates the proposals within the consultation on the Flood and Water Management Act.
35. Should the scheme be introduced ahead of any planning approval for Nunthorpe Grange, site specific costs will be presented to Executive once a preferred bidder is identified and formal approval is sort to dispose of the site.

#### **Other potential alternative(s) and why these have not been recommended**

##### Don't sell the land

36. This would result in significant financial implications for the Council, including no capital receipt and no Council Tax revenue. Failure to dispose of the land would be contrary to the Local Plan (2014). The overall integrity of the Local Plan depends upon the land supply identified within it being made available; the Council would be open to significant challenge from the housebuilding industry if it were seen to constrain land supply.

37. Furthermore, this approach would result in significant abortive costs for the Council resulting from the due diligence work undertaken to date and the cost of legal proceedings relating to the farming tenancy.

Sell the land as a whole prior to de-risking the site.

38. Previous market and disposal advice for other sites highlights that this approach does not demonstrate Best Value for the Council. The approach would present a vastly reduced land receipt and there would be significant uncertainties around the timescales for delivery which could negatively impact upon Middlesbrough's housing supply and Council Tax income, especially as the land does not currently come with the benefit of an outline planning permission.

Sell the land without outline planning permission

39. It is known that developers will pay for the benefit of a de-risked site. Disposal without planning consent would prove financially and strategically detrimental to the Council and prove risky for developers, potentially leading to fewer than normal offers and at a reduced financial rate.

Sell the land without undertaking further Due Diligence and Development Plan work

40. The Council's proven financial approach to housing site disposals is based on maximising capital receipts by 'de-risking' sites. This involves undertaking site investigation works, producing design guidance or masterplans and gaining outline planning approval to competitively market sites.

Enter a Joint Venture

41. Independent advice and professional analysis consistently draws the conclusion that the proposal to collaborate with external partners on the disposal and delivery of housing site does not present Best Value for Money for the Council.

**Impact(s) of the recommended decision(s)**

***Financial (including procurement and Social Value)***

42. The disposal of Nunthorpe Grange will contribute significantly towards the MTFP via the income achieved through Council Tax.

43. Council Tax income funds a significant proportion of the Council's revenue spending and the recent growth in housing numbers across the town has ultimately enabled key services to be protected. A failure to dispose of the site for development would have a demonstrably detrimental impact on the Council's ability to deliver and sustain services. Assuming an average Council Tax rating of Band E, the site is expected to generate Council Tax from £0.690m for 250 properties built and £0.967m for 350 properties built, per year upon completion of the development.

44. Should DLUHC announce the continuation of New Homes Bonus Scheme, the 250 to 350 dwellings will contribute towards the net addition to the housing stock that is required in order to qualify for new homes grant.
45. Nunthorpe Grange is held on the Council's Asset Register and the Asset Disposal Business Case is appended to Part B of this report.
46. Information on the estimated gross market value is outlined within Part B of this report. Capital receipts secured from the sale of housing sites are used to fund the Council's Capital Programme and the critical investments within it. These investments include 'business as usual' activity, periodic purchases, and investments in economic growth initiatives. Failure to receive a capital receipt, from this site will stem economic growth and prosperity across the town.
47. It is recognised that development of the scale proposed for the site will result in impacts on local infrastructure, some of which is identified elsewhere in this report. In order to enable permission to be granted for any planning application it is important that mitigation is provided to address these impacts, this is usually provided through a S106 Agreement that accompanies any planning permission granted.
48. The Council as landowner and Local Planning Authority cannot be both signatories on such an agreement. It is essential therefore to enable the permission to be granted that the Council makes a formal commitment to delivery of the necessary infrastructure at the time that it is required.
49. A mechanism will need to be identified to enable this to happen. Without such a commitment in place planning permission will not be forthcoming. In this instance the required infrastructure will include:
- a) affordable housing (to be determined, depending on whether this is provided on-site);
  - b) off-site highways/transport improvements and mitigation;
  - c) education;
  - d) green infrastructure; and,
  - e) community facilities.
50. It is not possible at this stage to identify the exact nature of the infrastructure requirements as these will be determined via the planning application process and will only be identified through the proper assessment of the application including consultation with infrastructure providers and the community. This assessment will identify the cost (at current values) and timing for delivery of the infrastructure and the contribution required from development of the site.
51. On the 13th April 2021 Executive approved an amendment to the Asset Disposal Policy to 'facilitate local communities benefitting whereby a Council owned asset is disposed within their locality above market value'. If an asset achieves a price in excess of the projected market value 3% of the capital receipt will be made available for local community use for the ward in which the asset is located.



52. There will be costs incurred over a number of years to de-risk the site and the subsequent site marketing. As detailed, investment in de-risking sites seeks to maximise the capital receipt gained. The additional cost to de-risk the site, as set out in this report, is estimated at £1.945m.
53. The capital programme includes £3.400m of uncommitted Council capital within the Housing Growth block budget and a further £2.566m of uncommitted Council capital within the De-Risking Sites project. Both projects are provided to fund costs of this nature.
54. Should the in-principle agreement with Persimmon in respect of the use of the temporary access be confirmed, the currently assumed provision for the construction of the roundabout will be retained within the capital programme to fund future de-risking of Council owned land in order to maximise capital receipts.
55. If, including obtaining planning permission, sites are not de-risked by the Council prior to selling, there is a risk that developers will bid significantly less than value of the site as they will take a prudent approach in respect of assessing risk. Therefore, by de-risking the site, the Council, whilst having to fund costs up-front, should benefit in the longer term through increased capital receipts.
56. All procurement exercises will be undertaken in compliance with Middlesbrough Councils' Financial and Contract Procedure rules.

### ***Legal***

57. The Local Plan (2014) will not be subject to challenge.
58. The Council will follow the relevant legal processes when disposing of sites, the nature of which will depend on the presence of any existing designations (such as allotments or public open space).
59. The process of disposing of sites requires significant input from Legal Services and Procurement, as the process is inherently contractual in nature and the Council needs to achieve Best Consideration in respect of any asset disposal.
60. The marketing and disposal strategy will cover internal client related matters concerning procurement, subsidy control and best value, together with Legal matters associated with contractual structures that protect the Council's interest.
61. The Council's governance processes will be observed accordingly throughout the disposal process.

### ***Risk***

62. The project will contribute towards the following strategic aims and objectives:
- a) Place - Securing improvements in Middlesbrough's housing, infrastructure and attractiveness, improving the town's reputation, creating opportunities for local people and improving our finances.

- b) People - Working with communities and other public services in Middlesbrough to improve the lives of local people.

63. The following high-level risks identified in the Strategic and Directorate Risk Registers, will be reduced as a consequence of the market intervention enabled by the recommended decisions:

- a) O1-045 - If the Housing Programme does not meet the projected targets, then this can have a negative impact on the assumptions within the MTFP.
- b) O8-059 - If incorrect assumptions are made in the MTFP this will result in a funding gap requiring further savings to be made.
- c) O1-029 - Insufficient Council Tax Band D+ properties are built to enable Middlesbrough to retain its economically active population resulting in further population decline and impact upon the MTFP.

64. The development of greenfield land is often contentious and there is a strong and active anti-development movement in Middlesbrough.

65. There is some risk that the drainage solutions are over engineered and do not meet the needs of the developers, however Middlesbrough Council's limited infrastructure budget will ensure that a simple and effective solution is installed.

#### ***Human Rights, Public Sector Equality Duty and Community Cohesion***

66. The Impact Assessment, attached as Appendix 2, has concluded that the decisions would not have any disproportionately negative impacts on protected groups.

#### ***Climate Change / Environmental***

67. As part of the Council's drive to achieve net carbon and in line with One Planet Living, developers will be encouraged to implement energy efficiency measures in line with building regulations, and to reuse and source local materials and labour to reduce transportation impacts.

#### ***Children and Young People Cared for by the Authority and Care Leavers***

68. The Impact Assessment demonstrated that this development presents no impact on children and young people cared for by the Authority and care leavers.

#### ***Data Protection / GDPR***

69. The proposed decision does not involve the collation and use of personal data.

## Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
POS & Land Appropriation	Peter Brewer / Legal Services	February 2024
Site Investigation Work	Peter Brewer / Design Services	May 2024
Refresh of Masterplan	Peter Brewer / Consultant	October 2024
Outline Planning	Peter Brewer / Planning / Design Services	February 2025
Market the Site	Peter Brewer / Valuation and Estates	June 2025
Executive Approval to Dispose	Peter Brewer	August 2025
Exchange Contracts with Developer	Peter Brewer / Legal	November 2025
Legally Complete	Peter Brewer / Legal	July 2026
Developer Starts on Site	Developer	August 2026
First Completions	Developer	August 2027

## Appendices

1	Land Ownership
2	Impact Assessment

## Background papers

Body	Report title	Date
Council	Middlesbrough Local Plan	November 2014
Executive Sub Committee for Property	Newham Hall Farm/Nunthorpe Grange Farms – Surrender of Agricultural Tenancies	22 <sup>nd</sup> November 2017
Executive Property Sub Committee	Nunthorpe Grange Farm Masterplan	11 <sup>th</sup> July 2018
Single Member Executive	Nunthorpe Grange Design Code/Masterplan	23 <sup>rd</sup> January 2019

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